



IBA RECOMMENDED REVISIONS TO THE MAYOR'S FY 2012 PROPOSED BUDGET AND MAY REVISE

June 6, 2011

OVERVIEW OF MAY 19th REVISE



- Mayor has used 13 Council budget solutions which are estimated to generate \$36.3 M of savings/resources
- Used to eliminate the deficit/restore some priority services including:
 - All Fire engine brown-outs
 - All recreation center hours
 - A portion of library hours proposed for reduction

OVERVIEW OF MAY 19TH REVISE



- Mayor agreed with earlier IBA analysis that TOT revenues could be conservatively increased
- Incorporated \$3.4 million increase to TOT revenue
- Similar increase for Sales Tax was not included
- Based on our analysis, we recommend a conservative increase for Sales Tax as well

OVERVIEW OF MAY 19TH REVISE



- Incorporated IBA proposal to use \$8.0 M from World Trade Center sale to free up GF capital-related costs over five years (\$2.5 M FY 2012)
- Restored the following services:
 - All recreation center hours
 - Partial branch library hours
 - All Brownd Out Fire Engines were already restored in Mayor's Proposed Budget

IBA REVISIONS FOR ONGOING EXPENDITURES AND RESOURCES



- IBA considered all of the following:
 - Council budget memos
 - Input from public at Budget Hearings
 - Results of IBA initial analysis of Mayor's Budget as well as May Revise
 - Input from City management and departmental staff
 - First and foremost, kept in mind the City has not yet resolved its structural budget deficit

IBA RECOMMENDED ONGOING EXPENDITURE REVISIONS TOTAL \$5.4



- Restoration of Library Branch Hours to current service levels- \$4.6 M
- Restoration of Police Vehicle Abatement Unit-\$330,000
- Restoration of Swim Team/Water Polo-\$223,000
- Restoration of Pool Operating Hours-\$76,400
- Restoration of After School Program-\$137,600

RECOMMENDED ONGOING RESOURCES

IBA TOTAL \$5.4 M



- 1% increase in Sales Tax growth-\$2.1 M
- LTD Reserve reduction- \$1.2 M
- Overtime/travel & training reduction for non-Public Safety-\$1.0 M
- IT Discretionary funds-\$400,000
- Reduction to Annual Leave Estimate-\$400,000
- New Marketing Partnerships-\$300,000

IBA REVISIONS FOR ONGOING EXPENDITURES AND RESOURCES



- Recommended one-time expenditure revision totaling \$1.7 M for remainder of Fire Alert System
- Recommended one-time resources totaling \$1.7 M:
 - Public Liability Fund balance- \$600,000
 - Implement Recovery Auditing-\$500,000
 - Retroactive High Rise Fire Inspection Fees total \$600,000

AUDIT COMMITTEE RECOMMENDATION



- Add one Auditor position effective January 2012-\$85,000
- Mayor did not include in his May Revise
- Based on Council memos, also not included in IBA recommendations
- Should Council wish to consider, additional ongoing resources would need to be identified

IBA RECOMMENDATIONS FOR UPDATED FY 2012 GF RESERVE



- City Comptroller 5/18/11 update to FY 2010 Year-End Report discovered new \$11.2 M
- Net impact is \$11.2 M increase to FY 2012 GF reserve
- GF reserve now estimated to be \$94.1 M, 8.3% of revenues, \$3.9 M in excess of 8% FY 12 target

IBA RECOMMENDATIONS FOR UPDATED FY 2012 GF RESERVE



- Extremely good news for City as reserves were at only 3% in 2004
- Significant change from Mayor's Proposed Budget which estimated FY 2012 reserves would be at 7%
- Having achieved this important goal, it is important to maintain 8% reserve now and in the future

IBA RECOMMENDATIONS FOR FY 2012 GENERAL FUND “EXCESS RESERVE”



- Reserve funds in excess of 8% estimated at \$3.9 M
 - IBA Recommended Uses:
 - Resume Community Projects, Programs and Services Fund- \$1.6 M (from FY 2011 Council Office savings transferred to the reserve)
 - Hold remaining funds in excess of 8% General Fund reserve as buffer for budgetary shortfalls-\$2.3 M
- ✓ **AFTER ACCOUNTING FOR MAYOR’S PROPOSED BUDGET, MAY 19TH REVISE AND ALL IBA REVISIONS, FY 2012 RESERVE ESTIMATED AT 8.2%**

MAYOR'S SUPPLEMENTAL MAY REVISIONS



June 1, 2011

- Mayor's recommendations for use of \$4.2 M "excess reserves" very different from IBA's:
 - Fund remainder of Fire Alert System-\$1.7 M
 - Fund additional ADA projects-\$1.2 M
 - Fund additional street repairs-\$1.3 M
- \$4.2 M differs from IBA figure of \$3.9 M- his estimate does not account for IBA recommended revisions

MAYOR'S SUPPLEMENTAL MAY REVISE June 1, 2011



- IBA Response:
 - All are critical needs, however:
 - IBA identified other resources for Fire Alert System without using reserves
 - May 19th Revise provided \$1.6 M GF for ADA projects, other resources exist such as Infrastructure Bonds and planned FY 2012 issuance
 - These same resources also exist for street repairs

MAYOR'S SUPPLEMENTAL MAY REVISE

JUNE 1, 2011



- IBA does not support Mayor's recommendations for spending the "excess reserves" as outlined for reasons cited
- Also, note that if Council chooses to approve IBA recommendations for service restorations and approves Mayor's spending proposal for "excess reserves", our estimates show that 8% target will not be achieved for FY 2012
- These spending proposals can be revisited at mid-year and allocations considered depending on budget status

IMPACTS OF IBA PROPOSED REVISIONS



- ✓ General Fund reserve projected at 8.2%, excess reserve funds preserved for “cushion”
- ✓ All major service cuts to Park and Recreation, Library and Police are restored (62.8 FTE)
- ✓ All restorations made possible through ongoing funding sources
- ✓ No negative impact to FY 2013 or structural budget deficit
- ✓ Council Community Projects, Programs, Services Fund restored through Council Office savings
- ✓ New Fire Alert system fully funded without using reserves

SUMMARY OF IBA RECOMMENDATIONS



IBA recommends Council consideration of the following actions:

1. Approval of Mayor's FY 2012 Proposed Budget (4/15/11) as amended by May Revise (5/19/11)
2. Approval of IBA recommended revisions for ongoing and one-time expenditure and resource revisions

SUMMARY OF IBA RECOMMENDATIONS (CONT'D)



3. Approval of IBA recommendations for the FY 2012 GF excess reserves above 8% goal:
 - Re-appropriation of \$1.6 M for Community Programs Fund from Council Office savings
 - Hold remaining \$2.3 M in reserves to achieve 8.2% for FY 2012

SUMMARY OF IBA RECOMMENDATIONS (CONT'D)



4. Approval of \$450,000 from City's Major Events Revolving Fund for work of non-profit Balboa Park Centennial Host Committee. Special Promo/TOT Funds have been contributed for this purpose over the past several fiscal years, no General Fund impact

KEY NEXT STEPS IN BUDGET ADOPTION PROCESS



June 6-7	Final Council decisions on revisions
June 9	Mayor's veto period begins
June TBD	Separate adoption of fees
June 15	Mayor's veto period ends
June 20	Council consideration of veto override (if needed)
July 18	Adoption of Appropriation Ordinance
July 25	Second Public Hearing of Appropriation Ordinance